

LEGISLATIVE AUDITOR
STATE OF LOUISIANA



— POINTE COUPEE PARISH SCHOOL BOARD —

SPECIFIED PROCEDURES EXAMINATION
ISSUED JANUARY 26, 2005

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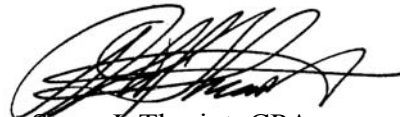
January 7, 2005

**DR. DANIEL R. RAWLS, INTERIM SUPERINTENDENT,
AND MEMBERS OF THE POINTE COUPEE PARISH
SCHOOL BOARD**
New Roads, Louisiana

As requested by the former superintendent, we applied our *Checklist of Best Practices in Government* in reviewing the procedures and practices of the Pointe Coupee Parish School Board's (school board) business department. Attachment I provides our findings and recommendations resulting from the limited review for the school board's consideration. The response from management of the school board is presented in Appendix A.

A limited review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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PCTSB05

Findings and Recommendations

The Pointe Coupee Parish School Board (Board) is responsible for developing policies as guides for administrative action and for employing a superintendent to implement its policies. The superintendent is responsible for supervising all personnel and for managing the schools and central office under Board policy.

On December 16, 2004, the Board approved Dr. Rawl's Financial Exigency Plan as a start to rectifying the significant deficit (negative fund balance) in the General Fund, paying past due bills, and building long-term financial health. Although the school board has taken steps to reduce its costs, it is too soon to tell whether the actions already taken and plans to take in the future will be sufficient to restore its financial health. However, the school board will certainly improve its financial condition by ensuring that its revenues not only meet but also exceed its expenditures so it can begin to rebuild its reserves.

The following are findings and recommendations relating to our limited review dated January 7, 2005. Management's response is included in Appendix A.

Written Policies and Procedures

The school board's policy and procedure manuals are not complete. Formal/written policies and procedures are necessary as a clear understanding of what should be done, how, who, and when it should be done, and that the procedures followed meets management's expectations. Also, written procedures aid in the continuity of operation and for cross-training of staff.

The school board does not maintain written policies and/or detailed procedures for the following:

1. Preparing, adopting, monitoring, and amending its budget
2. Purchasing process, including (1) how purchases are initiated; (2) the preparation and approval process of purchase requisitions and purchase orders; and (3) checks and balances to ensure compliance with the bid law
3. Nature, extent, and frequency of financial reporting information provided to the Board
4. Processing, reviewing, and approving disbursements
5. Using credit cards and filing expense reports supporting credit card charges
6. Processing, reviewing, and approving attendance records and payroll, including overtime and compensatory leave
7. Controlling and monitoring inventories (food, fuel, and materials and supplies)
8. Monitoring security pledged to ensure that school board deposits are fully secured

9. Information systems, including who can update internal files on a server and what are critical data and non-critical data.

Recommendation: The school board should develop, adopt, and implement policies and procedures for these matters.

Budgeting Process

Budget Procedures Needed

The school board does not have written procedures for preparing, adopting, monitoring, and amending its budget.

Recommendation: We suggest that detailed written procedures be developed to include all steps required for each phase of the budget process, including monitoring and amending the budget during the fiscal year. In addition, a time schedule for preparing the budget and the person responsible for each phase of the budget should be incorporated in the detailed steps. Also, we suggest that the superintendent consider using the Association of School Business Officials International *Meritorious Budget Awards Program* checklist and the Government Finance Officers Association *Distinguished Budget Presentation Awards Program* checklist in preparing future budgets and developing budget procedures.

Noncompliance With Local Government Budget Act

1. The FY2004-2005 General Fund budget adopted by the Board on August 5, 2004, is not balanced within the revenues available, as required by the Local Government Budget Act. Louisiana Revised Statute (R.S.) 39:1305E provides that total expenditures cannot exceed the total funds available.

The current year budget does not provide for the elimination of the estimated \$2.8 million deficit carried over from the prior fiscal year (July 1, 2003, through June 30, 2004).

Recommendation: The superintendent's corrective action plan that provides for, among other things, the (1) elimination of the General Fund deficit; (2) payment of all past due bills; and (3) repayment of loans (principal and interest) should be incorporated into the current year budget and provided to the Board for review and adoption. Upon adoption, the revised budget should be submitted to the state Department of Education (SDE) for approval.

2. The FY2004-2005 budget document does not include (1) a budget message; (2) the estimated fund balances at the beginning of the year; (3) the estimated fund balance at the end of the fiscal year; or (4) a proposed budget adoption instrument, all of which are required by state law. R.S. 39:1305C requires the budget document to set forth the proposed financial plan for the General Fund and each Special Revenue Fund and include, among other things, the following:

- A budget message signed by the budget preparer which includes a summary description of the proposed financial plan, policies and objectives, assumptions, budgetary basis, and a discussion of the most important features.
- A statement for the General Fund and each Special Revenue Fund showing the estimated fund balances at the beginning of the year; estimates of all receipts and revenues to be received, revenues itemized by source; recommended expenditures itemized by agency, department, function, and character; other financing sources and uses by source and use; and the estimated fund balance at the end of the fiscal year.
- A proposed budget adoption instrument that defines the authority of the superintendent to make changes within various budget classifications without approval by the Board, as well as those powers reserved solely to the Board.

Recommendation: The school board should strictly comply with the requirement of the Local Government Budget Act. We also suggest that an overall financial status of the school board be included in the budget message that includes the current financial status, the short-term outlook, and the long-term trends. The emphasis on this analysis should be understandability of the financial status and issues, not necessarily on exact numbers and detail. We suggest that this analysis be provided in written form, early in the budget process, so a broad financial framework is available to management of the school board.

Incorporate Performance Measures

Performance measures are not incorporated into the budgeting process.

Recommendation: Although not required by law, the superintendent should consider incorporating performance measures into the budgeting process. Meaningful performance measurements assist management of the school board by (a) identifying financial and program results; (b) evaluating past resource decisions; (c) facilitating qualitative improvements in future decisions regarding resource allocation; and (d) communicating service and program results to the taxpaying public. Performance measures should be used to report on the outputs of each program and should be related to the objectives of each department.

Financial Management

Inaccurate Financial Reporting

The monthly financial reports presented to the Board did not accurately reflect the financial position and operations of the General Fund. In addition, the reports did not indicate that corrective actions were necessary. Without accurate and complete financial statements, the Board and superintendent cannot effectively exercise their fiduciary responsibilities of managing the school board's fiscal operations.

POINTE COUPEE PARISH SCHOOL BOARD

During the current fiscal year, the monthly financial reports presented to the Board did not reflect or disclose the \$2.8 million deficit in the fund balance of the General Fund.

Furthermore, although the financial report of the General Fund's operations for the three months ending September 30, 2004, reflected excess revenues (over expenditures) of approximately \$1.3 million, the school board was actually operating in a deficit of approximately \$460,000 (\$1.760 million difference/reduction). The \$1.760 million reduction is significant and should have been reported to accurately reflect the operations of the school board. According to our review and calculations, the \$1.760 million reduction at September 30, 2004, results from the following:

- \$650,000 of loans incorrectly reported as revenues
- \$630,000 of unpaid bills not reported
- \$480,000 of unpaid salaries not reported

Recommendation: Each month, the Board should be presented with accurate and complete financial statements (prepared on the modified accrual basis of accounting) and budget comparisons for all funds, including warnings of any corrective action needed. Also, a concise summary and guide to the key issues and aspects of the operating and capital components of the financial statements and budget comparisons should be provided to the Board.

Negative Cash Flow

The school board is operating in a severe negative cash flow position resulting in vendors not being paid on a timely basis.

For example, as of December 15, 2004, the school board was severely delinquent in paying its portion of employee benefit contributions totaling approximately \$1.358 million as follows:

- \$567,000 owed to Teachers' Retirement System (period from March 2004 - June 2004)
- \$791,000 owed to Office of Group Benefits (period from April 2004 - June 2004)

Recommendation: We suggest that formal cash flow projections be prepared for the short-term (1 year) and long-term (5 years) which include reasonable expectations of the amounts that should be available for the payment of all bills/expenses, including the repayment of loans.

Failure to Comply With Louisiana Audit Law

The FY2003-2004 audit was not completed within six months of the close of the school board's fiscal year (June 30, 2004) as required by law. R.S. 24:513 requires the school board audit to be completed within six months of the close of the school board's fiscal year.

Also, the school board failed to meet an earlier deadline imposed by the Legislative Auditor. Because of concerns about the school board's financial condition and the fact that the prior year audit report was submitted late, the Legislative Auditor notified the former superintendent in a

letter dated June 7, 2004, that he was requiring the audit report to be submitted by September 30, 2004. As of January 5, 2005, the Legislative Auditor still has not received the school board's FY2003-2004 audit report.

Annual audited financial statements are an integral part of the information needed by management of the school board in making decisions to improve its financial condition.

Recommendation: In the future, every effort should be made to ensure that the financial records and information needed for a timely audit are available and that the auditor completes the audit within the timeframe required by law.

Failure to Publish Minutes

Proceedings of the board meetings are not published as required by law. R.S. 43:143 requires the proceedings of the board meetings be published in the official journal of the school board. R.S. 43:144 requires the publication of minutes within ten days from the date of the meeting and provides for fines and/or imprisonment as penalty for noncompliance.

The most recent minutes published in the official journal were related to a May 8, 2004, special board meeting, or approximately 8 months ago.

Recommendation: The school board should ensure that all minutes and all other official proceedings of the Board are published within the 10-day limit, without exception.

Other Suggestions for the Business Department

Based on the results of our review of the procedures and practices of the school board's business department, we suggest that the following "good" business practices be implemented:

1. A contingency plan of possible future spending cuts should be prepared in the event projected funds do not become available.
2. Business department objectives should be established and prioritized. Also, we suggest restructuring/reorganizing the business department to meet those objectives.
3. Job descriptions should be established or updated for all employees.
4. The accounting software should be fully used to facilitate the various functions of the business department. For example, the software should be used to extract grant program data and to prepare the monthly *Request for Funds* forms submitted to the SDE.

However, should the capabilities of the software fail to meet management's expectations, we suggest that management explore other software packages that will facilitate the various functions of the business department.

5. Checks and balances should be implemented with the various departments to ensure that grant reimbursement requests (*Request for Funds*) are accurate and filed timely with the SDE.
6. The monthly bank reconciliations and all journal entries should be reviewed and approved by the business manager. The business manager's approval should be documented.

Grants Management

Noncompliance With Policy and Grant Restrictions

1. Contrary to state Department of Education (SDE) policy, certain federal grant program's *Request for Funds* forms were submitted to the SDE for reimbursement of supplies and services prior to actual payment. SDE policy requires that reimbursements be based on actual expenditures, not on obligations.

In addition, \$149,000 received by the school board in October 2004 and November 2004 (based on information submitted to the SDE on the monthly *Request for Funds* forms) for obligations owed to its vendors of federal programs was spent for other purposes. As of December 6, 2004, the school board is "holding" the vendors' checks until other monies become available.

2. Annually, the school board prepares formal expenditure plans for programs funded by grants and makes assurances restricting the use of monies awarded; however, during the current (2004-2005) school year, grant monies were spent for other purposes and are not available to fulfill the requirements under the programs.

During this school year, \$464,000 was advanced to the school board to specifically fund three grant programs; however, approximately \$390,000 (84%) was spent for other purposes and is not available for the intended programs as follows:

- \$318,000 for the Education Excellence Fund Program
- \$71,000 for the Home Instruction for Parents of Preschool Youngsters Program
- \$1,000 for the Louisiana Decentralized Arts Program

Recommendation: We suggest that the school board cease commingling grant monies in the "Master Bank" checking account that includes monies of the General Fund. In the future, grant monies should be deposited into a separate bank account and restricted for program purposes only. Also, we commend the interim superintendent for promptly notifying the SDE of these noncompliance issues and suggest that the school board strictly comply with SDE's forthcoming recommendations.

Dedicated Sales Taxes

Noncompliance With Tax Proposition

During the fiscal year ended June 30, 2004, a significant amount of monies collected from a 1% sales tax (approved by voters in 1999) that is dedicated for providing additional funds for the payment of salaries and benefits of teachers and other school personnel was spent for other purposes. This spending practice is also contrary to state law. R.S. 39:704 provides, in part, that the proceeds of any special tax constitutes a trust fund to be used exclusively for the objects and purposes for which the tax was levied.

Dedicated sales tax monies totaling approximately \$955,000 was spent for other purposes and was unavailable to pay the annual “13th” check to employees. However, on November 1, 2004, the Board authorized spending borrowed funds from a local bank to make the payments to employees.

Recommendation: In the future, the school board should strictly comply with the sales tax proposition and state law and use sales tax monies exclusively for the purposes for which the tax was levied.

No Clear Accounting

The school board’s records do not clearly account for the expenditure of sales tax monies collected. R.S. 39:704 provides that the records of the school board should clearly reflect the objects and purposes for which the proceeds of the tax are used.

Rather than depositing sales tax monies in a separate bank account, all sales tax monies collected are deposited in the “Master Bank” checking account and commingled with all other monies of the school board. Therefore, there is no clear accounting of the expenditure of the dedicated sales tax monies.

Recommendation: The school board should deposit all sales tax monies in a separate bank account and clearly account for its expenditure in accordance with state law.

Purchasing and Disbursements

Controls Over Purchasing and Disbursements Need Improvement

1. Purchasing is not centralized. Each department of the school board (General Fund, Federal Programs, Maintenance, and Food Services) is responsible for its own purchasing.

Recommendation: To promote operational efficiency, we suggest that the school board consider centralizing all of its purchasing and creating a purchasing agent position.

2. The accounts payable clerk and the bookkeepers for the federal programs and food services department perform duties relating to cash disbursements that are incompatible for a proper system of checks and balances.

For example, the accounts payable clerk (1) records the disbursements in the accounting system/general ledger; (2) prepares and prints the checks; (3) uses the check-signing machine to sign the checks; (4) mails/distributes the checks; (5) maintains the invoices and records; (6) prepares and enters general journal entries in the general ledger; and (7) reconciles the bank account, all without supervisory review.

Recommendation: We suggest that business department employees be cross-trained so that duties can be separated to provide an adequate system of checks and balances. Accounting responsibilities should be segregated so that no single individual controls all facets of a financial function.

3. Controls over the two check-signing machines are inadequate. There is no reconciliation performed of the number of checks signed (per meter reading) to the number of checks listed on the check register.

Recommendation: Two people should be present when checks are signed to ensure that the number of checks signed (meter reading) are agreed/reconciled to the number of checks listed on the accounts payable check register. The reconciliation should be signed and dated by both individuals and given to the business manager for review. The business manager should ensure that all payments are appropriate, supporting documentation is available, invoices are approved, and the number of checks written agrees to those signed by the check-signing machine. The business manager should also document his/her approval and then give the signed checks with supporting documentation to the superintendent for his review and approval.

4. Receiving reports are not always sent to the accounts payable clerk for matching to the related purchase orders and vendor invoices.

Recommendation: The school board should require all receiving reports be sent to the accounts payable clerk upon receipt of the items purchased.

5. The supply of blank/unused checks is not maintained under lock during work hours.

Recommendation: We suggest that the supply of unused checks be secured under lock at all times.

6. Itemized credit card charge tickets/receipts for restaurant charges were not always maintained and attached to the MasterCard monthly statements.

Recommendation: The school board should require that detailed receipts be turned in supporting the business nature of all expenditures. In addition, the business purpose for meals and the names of individuals participating should be documented.

7. The school board needs controls over its six cellular phones. During the one-year period from July 2003 to June 2004, school board funds were used to pay for cellular telephone charges totaling \$13,954 (average of \$1,163 a month). We found no evidence of review for propriety and reasonableness of phone usage.

Recommendation: The superintendent should review the employees' duties and responsibilities to determine which employees need cellular phones to accomplish their jobs. Also, the board should adopt a formal policy for the business use of the cellular phones and the business manager should review the detailed monthly bill to ensure that the policy is being followed. All personal use of school board cellular phones should be reimbursed.

Payroll and Attendance Records

Controls Over Payroll Transactions

1. The school board does not execute written employment contracts with its teachers as required by state law. R.S. 17:413 states, "No person shall be appointed to teach without a written contract for the scholastic year in which the teaching is to be done."

Recommendation: We suggest that the school board execute written contracts with its teachers in accordance with law.

2. The payroll clerk performs a variety of duties relating to payroll disbursements that are incompatible for a proper system of checks and balances.

Without supervisory review, the payroll clerk (1) records the payroll data (salary schedule) in the accounting system; (2) adds and deletes employees; (3) prepares and prints the checks; (4) uses the check-signing machine to sign the checks; (5) distributes the checks; and (6) reconciles the payroll bank account.

Recommendation: We suggest that business department employees be cross-trained so duties can be segregated to provide an adequate system of checks and balances. Also, the business manager should review the payroll check register for propriety each pay period and document his/her approval.

3. A computer-generated report is available that shows all changes made to payroll for a specific period of time; however, it was not printed and reviewed for accuracy.

Recommendation: For a proper system of checks and balances, we recommend that someone independent of the payroll department review all changes made to payroll each pay period and compare to written authorization.

4. Although not required by law, the Board authorized approximately 1,000 days of paid extended leave to support workers (lunch workers, custodians, aides, secretaries, etc.) during the 5¼ year period from August 15, 1999, through November 10, 2004. State laws (R.S. 17:1202A and 17:500.2A) only require school boards to provide teachers and school bus operators up to ninety days of extended sick leave in each six-year period of employment.

Note: We commend the Board for recently changing its practice and restricting extended sick leave benefits to only those employees (teachers and school bus operators) required by law.

Attendance Records

1. The school board does not have written policies or procedures relating to employee attendance records.

Recommendation: The school board should develop written procedures for time and attendance records for individual schools and the central office to follow. At a minimum, the procedures should include (1) using a standardized daily attendance log; (2) requiring all employees to sign-in for their attendance; and (3) requiring the principals and/or supervisors to account for all employees daily and document this process on the daily log.

2. Certain employees are not reporting their leave/absences to the payroll department on a timely basis. The payroll department does not “dock” leave from an employee until the employee submits the absentee information on the *Daily Absentee Report*. Good internal controls require that all leave balances be properly updated and recorded in the accounting records on a timely basis. Also, failure to post all leave taken to the leave balance records increases the risk that the school board will compensate employees for hours they have not worked or for leave hours they do not have.

As of December 3, 2004, the payroll department is awaiting receipt of *Daily Absentee Reports* from six central office employees for a total of 51 days of absences since July 1, 2004 (beginning of fiscal year).

Recommendation: We suggest that the employees be given a deadline to either submit a *Daily Absentee Report* for the days they were absent or provide documentation and information to the contrary. In the future, the school board should require, without exception, all leave to be reported to the payroll department in the pay period that the leave occurred.

3. Our inquiries and general observations at two schools (Pointe Coupee Central High School and LaBarre Elementary School) relating to employee attendance revealed the following:

- The principals, custodians, cafeteria workers, and certain administrative personnel do not document their attendance on the daily sign-in log.

- Although teachers document their attendance on the daily sign-in logs, the logs are not compared to absentee reports generated from the computer system for accuracy purposes.

Recommendation: We suggest that the school board require all administrative staff and other 12-month employees to complete time reports to document hours worked and leave taken. The appropriate supervisors should document their approval on the time reports and submit them to the payroll department. In addition, the sign-in logs should be compared to the absentee reports to verify the accuracy of leave hours used and earned.

School Food Services

Lack of Controls Over Inventories

1. Certain food and commodities maintained at the school board's central warehouse are not segregated and adequately secured during work hours.

On December 7, 2004, we observed certain food and commodity items (e.g., rice, canned yams, vegetable oil, paper supplies, etc.) on the floor of the "open area" of the warehouse. This warehouse area is also used for the storage of maintenance materials and supplies, equipment, and vehicles, and the doors are kept wide open during work hours.

Recommendation: We suggest that all food and commodities be segregated and secured under lock at all times and restricted to authorized personnel only.

2. A complete physical inventory reconciliation of food and commodities has not been performed since June 2004 (six months previous). Also, the food inventory is maintained using a manual system rather than on a computerized perpetual (continuous) inventory system.

A proper system of internal control over inventory should include procedures to ensure that assets are safeguarded and that inventory losses, should they occur, are detected in a short period of time by normal business procedures. A perpetual inventory system is generally regarded as an acceptable method of controlling inventory and safeguarding assets. Use of a perpetual inventory system allows the school board to record receipt of goods at the time of purchase and the issuance of goods as they are withdrawn for use. At any point in time, a count of goods on hand should agree to the balance in the inventory system.

Recommendation: We suggest that the School Food Services Department use its computer software and account for its goods using a perpetual inventory system. This system should allow book inventory to be reconciled to stock on hand as often as after each transaction.

Lack of Control Over Purchase Orders

Purchase orders for repairs and maintenance of school cafeteria equipment/appliances are issued by both the School Food Services Department and Maintenance Department.

Recommendation: The issuance of purchase orders for repairs and maintenance of school cafeteria equipment/appliances should be centralized in the School Food Services Department because it is the department responsible for that particular line item budget.

Controls Over Cash Need Improvement

School food service workers perform duties relating to cash collections that are incompatible for a proper system of checks and balances.

Our general observations and inquiries revealed that cashiers can (1) collect cash; (2) enter the number of meals (e.g., free, reduced, etc.) in the computer system for accountability purposes; (3) reconcile/balance the cash collected to system reports; (4) prepare the deposit slip; and (5) take the deposit to the bank.

Recommendation: We suggest that the duties of cashiers be separated to provide an adequate system of checks and balances. No single individual should control all facets of a financial function.

Note: Presently, our Compliance Audit Division is reviewing meal counts (students and non-students) and cash collections reported by Livonia High School. Any findings and recommendations resulting from their investigation will be detailed in a separate report.

Lack of Supervision Over Workers

Although each school has a cafeteria manager, the supervisor of School Food Services is not engaged in any supervision of school cafeteria workers.

Recommendation: Cafeteria workers should be reporting to the supervisor of School Food Services. The supervisor is responsible for managing the annual budget of the School Food Services Department of which cafeteria workers are a significant part.

Unnecessary School Bank Accounts

Each school maintains a “cafeteria” checking account for the deposit of monies received from its sales of meals. At the end of the month, each school principal issues a check payable to the school board for the amount of monies collected during the month.

Recommendation: For control and efficiency purposes, we suggest that monies collected by schools from the sales of meals be deposited directly into the school board’s bank account on a daily basis. As such, the “cafeteria” bank accounts become unnecessary and should be closed.

Centralized Accounting

For control and efficiency purposes, we suggest that the accounting/bookkeeping for the School Food Services Department be centralized in the business department of the school board.

School Activity Accounts

Our inquiries and general observations at LaBarre Elementary School, on December 7, 2004, relating to school activity accounts revealed instances of noncompliance with school board policy (*School Activity Fund Procedures Manual*) as follows:

1. The school principal did not submit monthly financial reports to the school board's business department on a timely basis. As of the date of our visit, financial reports were not submitted for the past four months (August 2004 through November 2004).
2. Teachers did not complete a log to record daily collections of money.
3. Collections were not being deposited on a daily basis.
4. Money maintained on hand during working hours was not kept under lock.
5. School activity accounts were not audited annually.

Recommendation: The *School Activity Fund Procedures Manual* provides that school principals assume full and personal liability for all activity accounts under their supervision; therefore, we suggest that in-service training be provided to them (principals) to review or become familiar with the provisions of school board policy. In addition, we suggest that the business manager audit the school activity accounts on an annual basis to determine that the policy is being followed.

Maintenance Department

Little Control Over Fuel Tanks

There is little control over the school board's gasoline and diesel tanks. Good controls over the use of fuel for school board vehicles and equipment require that adequate tank records be completed, reviewed periodically, and maintained. A periodic review will ensure that only school board vehicles and equipment are receiving the fuel, vehicles receiving the fuel are properly identified, odometer readings are accurately recorded, and the amount of fuel received by school board vehicles is reasonable.

The school board has one gasoline tank (500 gallons above ground) and one diesel tank (200 gallons above ground) that are located in the front of the central warehouse building. Our review of procedures on December 7, 2004, for dispensing the fuel revealed the following:

- Both (gasoline and diesel) pumps were turned on.
- Both pumps were not locked.
- Both pumps were unattended.
- Logs are not prepared for the use of gasoline and diesel.
- The meter on the gasoline tank is broken.
- There is no meter on the diesel tank.

Recommendation: The maintenance department should (1) keep the pumps locked when not being used; (2) complete adequate records/logs to account for the use of fuel and assign specific employees the responsibility of maintaining the logs; (3) replace the gasoline tank's meter; (4) install a meter on the diesel tank; (5) prepare a monthly analysis or summary by vehicle that includes, at a minimum, the number of gallons received, miles traveled, and miles per gallon; (6) reconcile the number of gallons received with the tank meter readings; and (7) present the analysis to the business manager on a monthly basis.

No Materials and Supplies Inventory Records

There is no inventory records of the materials and supplies maintained on hand.

Recommendation: The maintenance department should prepare and maintain an inventory listing of the materials and supplies of the school board. A copy of the inventory should be submitted to the business manager on a monthly basis.

Fixed Assets

Fixed Asset Listing Not Current

The detailed listing of general fixed assets (property, equipment, etc.) is not current. The listing was last updated through June 30, 2003 (1½ years ago). R.S. 24:515(B)(1) requires the school board to maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets, which were purchased or otherwise acquired.

Maintaining current records provides accountability of assets owned, compliance with generally accepted accounting principles, a basis for projecting future capital replacement and expenditures, and insurance recovery for property losses.

Recommendation: The superintendent should designate an employee to be the property management clerk who would be responsible for bringing the fixed asset property records up to date and maintaining the records on a current basis.

Noncompliance With Policy

Our general observations and inquiries relating to controls over fixed assets revealed that the following procedures were not always performed as required by the school board's *Property Accounting System Procedures Manual*:

- Tagging assets with a unit cost of \$1,000 or more, including all "critical" and "theft sensitive" assets
- Reporting acquisitions, transfers, and deletions of assets through the use of appropriate forms

Proper procedures facilitate the location, inventory, and appraisal of fixed assets and the tracking of purchases and transfers, which prevents or discourages theft, unauthorized removal, or "disappearance" of assets.

Recommendation: We suggest that the property management clerk supervise and monitor compliance with the school board's property control system and report noncompliance to an appropriate official. The integrity of the system is also directly dependent upon the efforts of school principals, supervisors, and the site coordinators. Failure to locate, timely tag, and maintain current location records of all movable property exposes the school board to possible loss, theft, and misuse of its assets.

Ethics

Employees of the school board received additional compensation as independent contractors, an arrangement that may be contrary to state law. R.S. 42:1113(A) prohibits an employee of the school board from entering into any contract or other transaction that is under the supervision or jurisdiction of the school board.

In 2003, the school board paid \$5,010 to an agriculture teacher for welding services and in 2004, the school board paid \$3,450 to a school secretary for catering services.

Recommendation: The school board should cease paying employees additional compensation as independent contractors.

Computer Controls

Disaster Recovery/Business Continuity Plan Needed

The school board does not have a disaster recovery/business continuity plan. Good internal control requires that the school board develop a written disaster recovery/business continuity plan and obtain access to an offsite facility to provide for the timely restoration of operations in the event that the school board office is unavailable for an extended period of time.

Recommendation: We suggest that the school board prepare a formal disaster recovery/business continuity plan to reduce the risk that untimely or excessive delays in processing data may occur and that data may be lost.

Computer Server Not Secured

Physical access to the accounting system's computer server is not limited. The server is located on the floor in the office of the accounts payable clerk.

Recommendation: We suggest that the accounting system's computer server be moved to a secure location within the business department which provides access to only authorized individuals.

Computer Back-Up Tape

Although the accounting system is backed up daily, the back-up tape is not taken offsite each day.

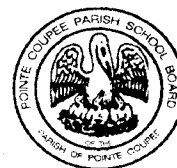
Recommendation: We suggest that the back-up tape be taken offsite each day and kept in a secure place. In addition, we suggest that written procedures be developed for this process.

Management's Response



Pointe Coupee Parish School Board

Post Office Drawer 579 • New Roads, Louisiana 70760-0579
(225) 638-8674 • Fax (225) 638-3904



January 17, 2005

Mr. Steve J. Theriot, CPA
Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

This correspondence is a response to the findings and recommendations regarding the limited review of the Pointe Coupee Parish School Board.

The Pointe Coupee Parish School Board implemented its Reduction in Force Policy in December 2004. Inasmuch as the Business Manager's position was included in the reduction, I am assuming these duties as well.

I hope that you find my responses to your report sufficient. Should you have any questions, or need additional information, I will be happy to accommodate you.

Sincerely,

Daniel R. Rawls, Ph.D.
Interim Superintendent

DRR/to

Enclosures

**POINTE COUPEE PARISH SCHOOL BOARD
RESPONSES TO FINDINGS IN LEGISLATIVE AUDITOR'S DRAFT
REPORT OF JANUARY 7, 2005**

January 17, 2005

WRITTEN POLICIES AND PROCEDURES

Pages 1 & 2 (Items 1-9)

Required policies will be forwarded to Forethought Consulting, Inc., a Public School Policy Updating Service under contract with the Pointe Coupee Parish School Board. This company prepares drafts for district school systems regarding operating procedures. Once draft proposals are received, they will be reviewed by the Superintendent and forwarded, with suggestions, to the Board's legal advisor for his approval. Upon return, the legal advisor's concerns will be incorporated into a final draft for Board consideration and adoption. After approval, the Legislative Auditor's Office will be notified of this compliance.

BUDGETING PROCESS

Pages 2 & 3

As suggested, a finite detailed guideline will be prepared to include all steps necessary for each phase of budget preparation which will incorporate the Association of School Business Officials International *Meritorious Budget Awards Program* checklist and the Government Finance Officers Association *Distinguished Budget Presentation Awards Program*. The Pointe Coupee Parish School Board will utilize the services of a contracted CPA Firm, with guidance monitoring by Mr. Steven Stansfield, Director of Finance with the De Soto Parish School Board, to implement the compliance issue.

The Pointe Coupee Parish School Board will fully comply with the Local Government Budget Act. Additionally, the overall financial status of the School Board will be included in the budget message, including current, short-term, and long-term trends.

Performance measures will be incorporated into the budgetary process by including a task force of educators that will periodically (at least annually) review school program successes. This will be done by establishing a criterion that parallels the State Accountability Standards. A report will be included in the annual approved final budget summary report.

Pages 3 & 4

FINANCIAL MANAGEMENT

The Pointe Coupee Parish School Board will be given a computer-generated printout of accounts, at each regular monthly School Board meeting, reflecting the month-to-date, and the year-to-date expenditures. A computer-generated report pertaining to all reserve accounts will also be prepared for Board perusal. Additionally, a true fund balance or deficit will be presented in the same computer-generated form.

CASH FLOW

The Administration will prepare a short-term and long-term projection for cash flow with reasonable expectations of accounts available.

COMPLIANCE WITH LOUISIANA AUDIT LAW

Page 5

The Administration will place on its official operation's calendar deadline dates to comply with timely audits. Contract auditors will be charged with completing fiscal audits on time.

PUBLICATION OF MINUTES

The Superintendent's Office will publish Pointe Coupee Parish School Board meeting minutes in the official journal on a timely basis, after Board approval. This can also be attached to the Administrative Calendar.

Page 5 (continued)

OTHER SUGGESTIONS FOR THE BUSINESS DEPARTMENT

With respect to items 1-6 regarding procedures and practices, the Business Department will prepare a financial contingency plan for possible future spending cuts, in the event that projected funds do not become available. Business Department objectives will be established and prioritized, and job descriptions will be updated by the Personnel Department. Accounting software will be reviewed periodically for expected performance. Specific time-lines will be administered to ensure accurate and timely filing for reimbursable purposes for federal programs. Lastly, monthly bank reconciliations and all journal entries will be reviewed and approved by the Superintendent.

Page 6

GRANTS MANAGEMENT

Effective upon approval by the Legislative Auditor of this report, commingling of grant monies in the "Master Bank" checking account will cease, and grant monies will be deposited into a separate bank account and will be restricted for program purposes only.

Page 7

DEDICATED SALES TAX

The Pointe Coupee Parish School Board Administrators will strictly comply with the sales tax proposition and related State laws for the purposes for which the tax was levied.

PURCHASING AND DISBURSEMENTS

Page 7 (Item #1)

Purchasing procedures will be centralized and the position of Purchasing Agent will be created to comply.

Page 7 (Item #2)

The finance department will develop and implement a cross training in-service program to facilitate a system of checks and balances. Further, assignments of accounting responsibilities will be assigned such that no one person has single control.

Page 8 (Item #3)

Effective upon approval of this report, two people will be present when checks are signed to ensure that the number of checks signed (meter reading) are agreed/reconciled to the number of checks listed on the accounts payable check register. The reconciliation will be signed and dated by both individuals and given to the business manager (Superintendent) for review. The CPA Service will ensure that all payments are appropriate, supporting documentation is available, invoices are approved, and the number of checks written agrees to those signed by the check-signing machine. The CPA Service will also document their approval and then give the signed checks, with supporting documentation, to the Superintendent for his review and approval.

Page 8 (Item #4)

The School Board will require all receiving reports to be sent to the accounts payable clerk upon receipt of the items purchased.

Page 8 (Item #5)

All unused checks will be secured at all times.

Page 8 (Item #6)

The School Board will require that detailed receipts be turned in supporting the business nature of all expenditures. In addition, the business purpose for meals and the names of individuals participating will be documented.

PURCHASING AND DISBURSEMENTS - CONTINUED

Page 8 (Item #7)

The Superintendent will review the employees' duties and responsibilities to determine which employees need cellular phones to accomplish their jobs. Also, the Board will adopt a formal policy for the business use of the cellular phones and the CPA service will review the detailed monthly bill to ensure that the policy is being followed. All personal use of School Board cellular phones will be reimbursed.

PAYROLL AND ATTENDANCE RECORDS

(Controls Over Payroll Transactions)

Page 9 (Item #1)

The School Board will write contracts with its teachers in accordance with State Statute.

Page 9 (Item #2)

As stated in item two of Purchasing and Disbursements, the business department employees will be cross-trained so duties can be segregated to provide an adequate system of checks and balances. Also, the CPA Service will review the payroll check register for propriety each pay period and document their approval.

Page 9 (Item #3)

For a proper system of checks and balances, someone independent of the payroll department, will review all changes made to the payroll each pay period and compare to written authorization.

Page 9 (Item #4)

Compliance was achieved at the regular School Board meeting on December 16, 2004, inasmuch as the Pointe Coupee Parish School Board voted to extend sick leave to only those employees required by State Statute.

(Attendance Records)

Page 10 (Item #1)

The School Board will develop written procedures for time and attendance records for individual schools and the central office to follow. At a minimum, the procedures will include (1) using a standardized daily attendance log; (2) requiring all employees to sign-in for their attendance; and (3) requiring the principals and/or supervisors to account for all employees daily and document this process on the daily log.

Page 10 (Item #2)

Employees will be given a deadline to either submit a *Daily Absentee Report* for the days they were absent or provide documentation and information to the contrary. The School Board will require, without exception, all leave to be reported to the payroll department in the pay period that the leave occurred.

Page 10 (Item #3)

The School Board will require all administrative staff and other 12-month employees to complete time reports to document hours worked and leave taken. The appropriate supervisors will document their approval on the time reports and submit them to the payroll department. Additionally, the sign-in logs will be compared to the absentee reports to verify the accuracy of leave hours used and earned.

SCHOOL FOOD SERVICES

(Controls Over Inventories)

Page 11 (Item #1)

All food and commodities will be segregated and secured under lock at all times and restricted to authorized personnel only.

SCHOOL FOOD SERVICES - CONTINUED

(Controls Over Inventories Continued)

Page 11 (Item #2)

The Food Services Department will utilize its computer software and account for its goods using a perpetual inventory system.

(Controls for Purchase Orders)

Page 11

The issuance of purchase orders for repairs and maintenance of school cafeteria equipment/appliances will be centralized in the School Food Services Department, since it is the department's responsibility for that particular line item budget.

(Controls for Cash Improvement)

Page 12

The duties of cashiers will be separated to provide an adequate system of checks and balances. No single individual will control all facets of a financial function.

(Supervision of Workers)

Page 12

School Food Service Workers will be reporting to the Supervisor of School Food Services. The Supervisor is responsible for managing the annual budget of the School Food Services Department of which School Food Service Workers are a significant part.

SCHOOL FOOD SERVICES - CONTINUED

(School Bank Accounts & Centralized Accounting)

Page 12

Monies collected by schools from the sales of meals will be deposited directly into the School Board's bank account on a daily basis, for control and efficiency purposes. As such, the "cafeteria" bank accounts are unnecessary and will be closed.

SCHOOL ACTIVITY ACCOUNTS

Page 13

The *School Activity Fund Procedures Manual* will be used. It states that Principals are to assume full and personal liability for all activity accounts under their supervision; therefore; in-service training will be provided to principals to review or become familiar with the provision of school board policy. The CPA Service will audit the school activity accounts on an annual basis to determine if the policy is being followed.

MAINTENANCE DEPARTMENT

(Control Over Fuel Tanks)

Page 13

The Maintenance Department will (1) keep the pumps locked when not being used; (2) complete adequate records/logs to account for the use of fuel and assign specific employees with the responsibility of maintaining the logs; (3) replace the gasoline tank's meter; (4) install a meter on the diesel tank; (5) prepare a monthly analysis or summary by vehicle which includes, at a minimum, the number of gallons received, miles traveled, and miles per gallon; (6) reconcile the number of gallons received with the tank meter readings; and (7) present the analysis to the CPA Service on a monthly basis.

MAINTENANCE DEPARTMENT- CONTINUED

Page 14

The Maintenance Department will prepare and maintain an inventory listing of the materials and supplies of the School Board. A copy of the inventory will be submitted to the CPA Service on a monthly basis.

FIXED ASSETS

(Listing of Fixed Assets)

Page 14

The Superintendent will designate an employee to be the Property Management Clerk who will be responsible for bringing the fixed asset property records up to date and maintaining the records on a current basis.

(Compliance with Policy)

Page 14

The Property Management Clerk will supervise and monitor compliance with the School Board's property control system, and report noncompliance to an appropriate official.

ETHICS

Page 15

The School Board will cease paying employees additional compensation as independent contractors.

COMPUTER CONTROLS

(Disaster Recover/Business Continuity Plan)

Page 15

The School Board will prepare a formal disaster recovery/business continuity plan to reduce the risk of untimely or excessive delays in processing data that could occur whereas data may be lost.

(Security of Computer Server)

Page 15

The computer server for the accounting system will be moved to a secure location within the Business Department which will provide access to only authorized individuals.

(Computer Back-Up Tape)

Page 15

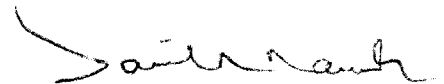
The Business Department's computer back-up tape will be taken offsite each day and kept in a secure place. In addition, written procedures will be developed for this process.

Legislative Auditor
Responses to Findings-PCPSB
January 17, 2005

SUMMARY

It is the intent of the Pointe Coupee Parish School Board's Administration to fully implement, without exception, all compliance requests. This will be accomplished with the aid of outside professional resources including: Louisiana Legislative Auditors, Board of Elementary and Secondary Education (BESE) Department of Finance, Steven Stansfield, Director of Finance for the De Soto Parish School Board, and the Contract Services of a CPA Firm that is experienced in the area of Municipal Public School Finance.

We extend our sincerest apologies for these errant financial and fiscal procedures and humbly request that the Office of the Legislative Auditor be contacted for follow-up auditing for the school system operations for 2005-2006.



Daniel R. Rawls, Ph.D.
Interim-Superintendent